



Treasury Inspector General for Tax Administration

THE CORRESPONDENCE IMAGING SYSTEM HELPS TO MANAGE TAXPAYER CORRESPONDENCE, BUT THERE ARE DELAYS IN THE SCANNING PROCESS

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Highlights

Highlights of Report Number: 2007-40-047 to the Internal Revenue Service Commissioner for Wage and Investment Division.

IMPACT ON TAXPAYERS

The Internal Revenue Service (IRS) receives more than 10 million pieces of paper correspondence within its Adjustments function each year. The Correspondence Imaging System (the System) is new; it allows taxpayer correspondence to be scanned and made available electronically to employees working the cases. While the System improves the ability to manage taxpayer correspondence, there are delays in scanning the correspondence, resulting in delayed case resolution and unnecessary interest being paid on some refunds.

WHY TIGTA DID THE AUDIT

This audit was initiated because of the importance of the System in helping to ensure the IRS timely responds to taxpayer correspondence. The overall objectives were to determine the timeliness and accuracy of processing taxpayer correspondence and other cases through the System and to determine whether it is functioning as intended.

WHAT TIGTA FOUND

The System has provided managers with better inventory management information on Adjustments function cases. Interim letters were generated properly and timely for cases that were input timely to the System, and the necessary actions were taken and entered on the Integrated Data Retrieval System.

However, delays in scanning and inaccurate and incomplete data reduced some of the anticipated System benefits. Overall, correspondence cases were input timely approximately 80 percent of the time, which is not a significant increase when compared to the manual process timeliness rate (approximately 79 percent) used as a baseline in the System's Business Case. Moreover, when considering the average for all types of correspondence (including amended returns and claims),

only 62 percent of all cases had been controlled within 14 calendar days. Database input errors also occurred in approximately 18 percent of the cases sampled. Causes for the processing delays and data input errors included (1) inconsistent procedures for such things as the use of an Image Control Team Received Date stamp and the timely processing of expedited cases, 2) no formal quality review procedures for verifying the accuracy of data input to the System, and (3) lack of resource monitoring to ensure there are a sufficient number of employees to scan documents.

Allowing taxpayers to submit correspondence electronically via the Internet would be a preferable alternative because it would eliminate the need to handle and scan paper documents. In addition to reducing the time and cost for the IRS to resolve correspondence, it would eliminate the need for taxpayers to print and mail correspondence and would provide immediate acknowledgement to taxpayers.

WHAT TIGTA RECOMMENDED

TIGTA recommended the IRS require all documents to be scanned and controlled on the System within 14 calendar days of receipt. An Image Control Team Received Date field should be added to the database, and date stamps should be used to record this Date, to allow management to track and analyze the timeliness of the scanning process. The IRS should also consider allowing taxpayers to submit correspondence electronically.

The IRS took actions to improve the accuracy and completeness of System data. Officials agreed to study the feasibility of adding an Image Control Team Received Date field and have updated the procedures to date stamp all cases received in the Image Control Team unit. Management did not agree to make the 14 calendar days a standard for all cases but will emphasize the importance of timely controlling all cases. Management agreed in concept with allowing taxpayers to submit correspondence electronically, but extensive System modifications and higher priority projects prevent this from being pursued now or in the foreseeable future.

TIGTA believes a 14 calendar-day requirement is needed to achieve timely case control and disagrees that allowing taxpayers to submit correspondence electronically is not feasible. Providing a method for customers to submit questions and correspondence via a webpage is a common application, and the IRS currently offers certain tax practitioners the ability to submit correspondence and account questions electronically through its e-Services application. TIGTA encourages the IRS to reconsider its stance on this issue.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200740047fr.pdf>.

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